

AGENCY NAME:

State Fiscal Accountability Authority

AGENCY CODE:

E550

SECTION:

104



## Fiscal Year 2014-15 Accountability Report

### SUBMISSION FORM

#### AGENCY MISSION

Serve the State of South Carolina and its citizens by providing fiscal oversight and by delivering innovative and cost-effective insurance, procurement, and engineering services.

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	David K. Avant	803-734-9414	dkavant@sfaa.sc.gov
SECONDARY CONTACT:	Jane M. Francis	803-737-0867	jfrancis@sfaa.sc.gov

I have reviewed and approved the enclosed FY 2014-15 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR  
(SIGN/DATE):

 9/15/15

(TYPE/PRINT NAME):

David K. Avant, Interim Executive Director

BOARD/CMSN CHAIR  
(SIGN/DATE):

(TYPE/PRINT NAME):

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## **AGENCY'S DISCUSSION AND ANALYSIS**

The State Fiscal Accountability Authority (SFAA) was created by the Restructuring Act of 2014, Act 121. In accordance with the Act, the South Carolina Budget and Control Board ceased operations on June 30, 2015, and effective July 1, 2015, the Insurance Reserve Fund and the Division of Procurement Services were transferred to the new agency, SFAA. The Authority is composed of five members: the Governor, the Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The administrative and operational functions of the agency are managed by an executive director appointed by the Authority.

As a new agency, SFAA's Accountability Report will reflect the initial strategic plan and performance measures developed thus far by Senior Management. This information will evolve over the next year as policies and procedures are more fully established.

**Vision:** Provide leadership and innovative, efficient and cost-effective services to state and local governments.

### **Core Values:**

- Ethics—Honesty, Fairness, Integrity, Respect, and Loyalty
- Accountability—Leadership, responsibility, and transparency
- Professionalism—Committed and well-trained workforce
- Quality Customer Service—Exceptional and responsive
- Innovation—Adaptable and proactive

### **Divisions of SFAA:**

- **Administrative Services** provides the support services for the effective administration and operation of the agency, including Human Resources, Finance, Communications, and Information Technology. In addition, the areas of Internal Audit and General Counsel provide auditing, compliance, risk management, and legal services for the agency. Administrative Services also provides support for the Authority's fiscal oversight responsibilities.
- **Insurance Reserve Fund (IRF)** is a self-insurance mechanism operated by the State of South Carolina to provide insurance to governmental entities at the lowest possible cost. All state agencies must purchase their insurance through the IRF. Participation is optional for local governments. The IRF uses no advertising and does not actively solicit accounts. This lack of a profit requirement and related expenses, along with the use of the investment income in rate determination, allows the IRF to maintain the lowest possible rate structure. The IRF currently insures over \$38 billion in property values for state and local government entities. Functionally, the two operational sections within IRF are Underwriting and Claims Management.

In addition, the IRF is responsible for administering the closure of the Second Injury Fund as directed by Section 42-7-320 of the South Carolina Code.

- **Division of Procurement Services (DPS)** provides the State's central procurement operation for governmental entities covered by the South Carolina Consolidated Procurement Code. Within DPS are five operational sections: Office of the State Engineer (OSE), Information Technology Management Office (ITMO), State Procurement Office (SPO), Audit and Certification, and Business Operations and

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Strategic Planning. DPS fulfills its role by procuring supplies, services, information technology, and construction services, and by providing procurement oversight and guidance to state agencies.

### **Major Accomplishments in FY14-15:**

#### **Administrative Services:**

Establishment of the State Fiscal Accountability Authority: Current SFAA divisions and offices planned, managed, and implemented strategies for the transition from the Budget and Control Board to SFAA.

#### **Insurance Reserve Fund:**

Contracts for reinsurance and insurance services: Engaged in competitive procurements and executed contracts for Property Reinsurance Broker Services; Building Valuation Services; and Ocean Marine Insurance Broker Services.

Property Reinsurance: Successfully negotiated a 20% increase in reinsurance capacity with a reduction in net cost.

Boiler Inspections: Inspected 797 boilers and related equipment as required by state law.

Driver Improvement Training: 4,419 public employees received driver improvement training.

Audit by the South Carolina Department of Insurance: Required every three years, this audit reported the IRF is administered in accordance with sound insurance practices and in the best interest of the State of South Carolina.

#### **Second Injury Fund as administered by the IRF:**

Assessments: Administered the second of five planned assessments and collected 99.99% of the assessed amount.

Actuarial Valuation: The evaluation determined that no changes are required to the current funding plan.

Operations: Processed reimbursement requests from carriers and self-insured on 1,759 open claims resulting in 3,886 payments with a total value of \$29 million.

#### **Procurement Services:**

Study of business processes: Proactively engaged a national consulting firm on procurement to study the Division's business processes, identify best practices, and recommend opportunities to increase efficiency and lower pricing of statewide contracts.

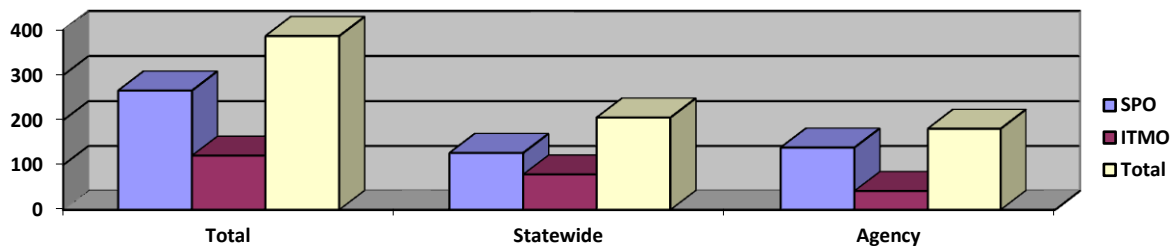
The Iran Divestment Act of 2014: Successfully implemented the legislative requirements of the Act to include publication of a list of entities engaging in investment activities in Iran as described in the Act.

Provide cost savings: After competing for best price, staff actively negotiated additional price reductions exceeding \$61 million.

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OSE Data: Provided services to agencies on 130 new permanent improvement projects and approved contract awards on 307 architect-engineer procurements and 231 construction procurements; issued building permits for 84 projects and certificates of occupancy for 67 projects; and contract awards totaling \$577 million.

DPS Contract Data (excluding OSE):



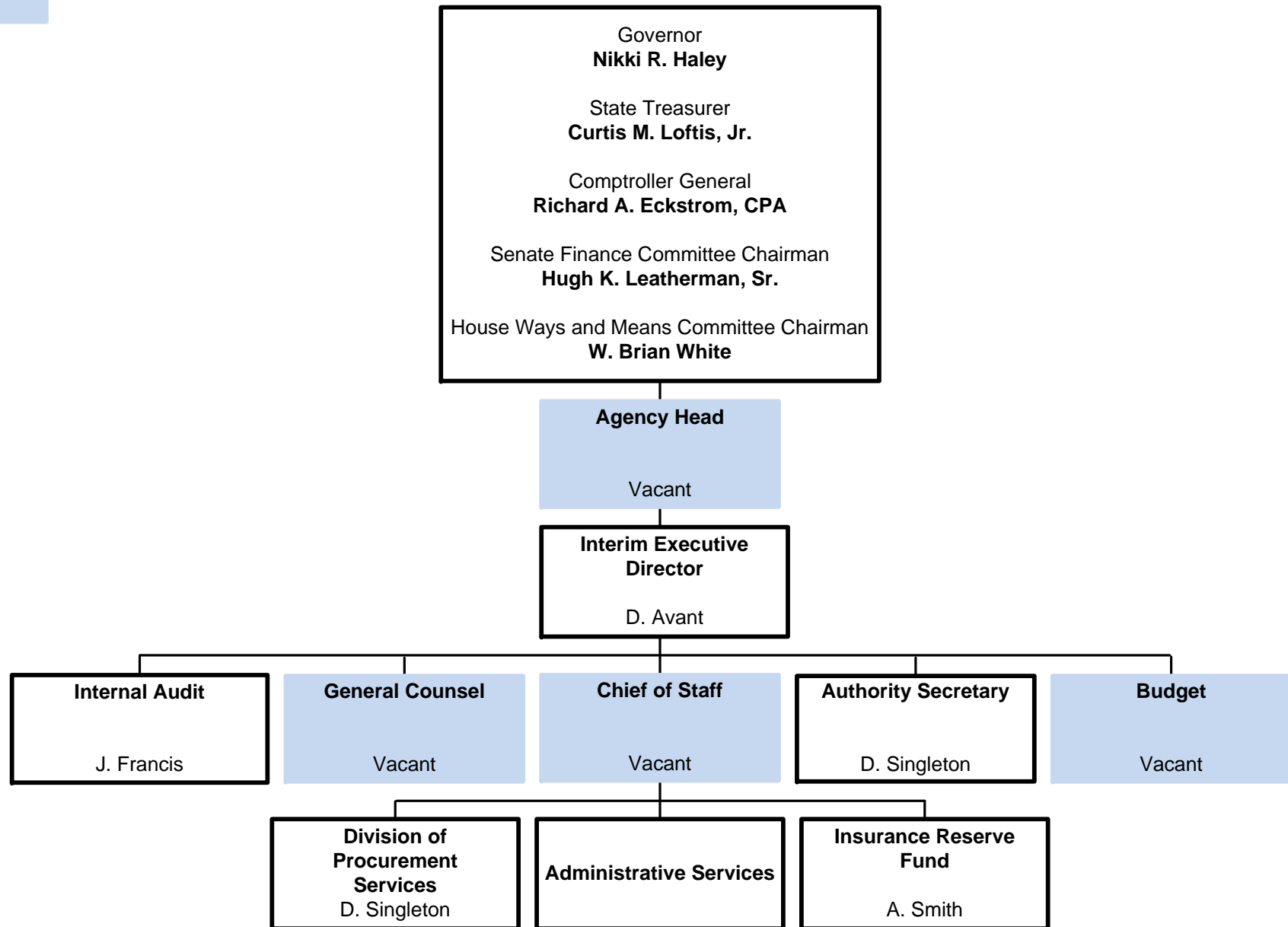
Contracts Awarded (\$ in millions)

	<u>Total</u>		<u>Statewide</u>		<u>Agency</u>	
SPO	266	\$1,622	127	\$1,493	139	\$129
ITMO	121	339	79	265	42	74
<b>Total</b>	<b>387</b>	<b>\$1,961</b>	<b>206</b>	<b>\$1,758</b>	<b>181</b>	<b>\$203</b>

Agency Challenges:

- Establishing the operations of a newly created organization.
- Optimizing staffing levels and skill sets to ensure efficient operations and continued service to our customers.
- Maintaining the financial stability of the IRF trust fund in the current environment of increased claims settlement costs and lower investment income.
- Implementing recommendations for more efficient business processes ensuring professional enterprise solutions for DPS.
- Implementing a strategic procurement sourcing plan.

Vacant



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Strategic Planning Template

Type	Goal	Item #	Strat	Object	Description
G	1				<b>Complete Implementation of the South Carolina Restructuring Act of 2014</b>
S		1.1			<b>Structure and optimize agency operations</b>
O			1.1.1		<i>Identify and inventory legal mandates</i>
O			1.1.2		<i>Evaluate and implement an organizational structure that promotes efficient and effective delivery of services</i>
O			1.1.3		<i>Develop and implement a strategic planning initiative</i>
O			1.1.4		<i>Establish policies and procedures to ensure proper controls, compliance and process improvement</i>
O			1.1.5		<i>Communicate operational initiatives with employees and customers/stakeholders and solicit feedback</i>
S		1.2			<b>Provide a consistent and comprehensive review process for approval of proposed major financial transactions</b>
O			1.2.1		<i>Identify the major types of transactions requiring approval</i>
O			1.2.2		<i>Establish and document the methodology for the review of transactions requiring approval</i>
O			1.2.3		<i>Administer and monitor the review activities to make process improvements</i>
S		1.3			<b>Establish a collaborative and effective working relationship with the Department of Administration</b>
O			1.3.1		<i>Consult and coordinate with Administration regarding the roles and responsibilities for review and approval of major transactions</i>
O			1.3.2		<i>Communicate openly and effectively with stakeholders to ensure their understanding of the approval process</i>
O			1.3.3		<i>Solicit feedback to promote improvements to the process</i>
G	2				<b>Provide cost-effective property and liability insurance and administration of the Second Injury Fund</b>
S		2.1			<b>Deliver appropriate insurance coverage based on underwriting criteria</b>
O			2.1.1		<i>Provide insurance coverage for buildings and contents, tort liability and malpractice, vehicles and school buses to the State and all policyholders at the lowest possible cost</i>
O			2.1.2		<i>Issue coverage, deliver invoices, and collect policy premiums in a timely manner</i>
O			2.1.3		<i>Educate customers on services provided by IRF; conduct events providing insureds with information on insurance topics</i>
S		2.2			<b>Protect the State against catastrophic losses</b>
O			2.2.1		<i>Supply property reinsurance broker and reinsurance markets with current data regarding values of insured property to determine the appropriate level of property reinsurance</i>
O			2.2.2		<i>Purchase reinsurance to protect the State from catastrophic losses to buildings, property, vehicles, and boiler and machinery</i>
O			2.2.3		<i>Provide boiler inspections to minimize loss potential</i>
S		2.3			<b>Pay claims timely and accurately</b>
O			2.3.1		<i>Resolve claims within statutory framework and policy limits</i>
O			2.3.2		<i>Develop and train staff to ensure effective claims processing</i>
O			2.3.3		<i>Ensure disbursement of claim funds are made timely</i>
S		2.4			<b>Administer closure of the Second Injury Fund as directed by Section 42-7-320</b>
O			2.4.1		<i>Perform annual assessment of workers compensation carriers in South Carolina to fund claim payments and Program operation</i>
O			2.4.2		<i>Review, adjust, and pay claims until all claims are closed</i>

Type	Item #			Description
	Goal	Strat	Object	
G	3			Provide innovative, cost-effective, and proactive acquisition services
S		3.1		Manage and perform acquisitions for the State
O			3.1.1	Partner with agencies to meet their procurement needs
O			3.1.2	Award and manage Statewide procurements for supplies, services, and information technology
O			3.1.3	Achieve savings through assertive negotiations and related activities
O			3.1.4	Provide assistance and approval on construction projects
S		3.2		Provide leadership and accountability of the State's procurement system
O			3.2.1	Develop and maintain efficient, effective and uniform practices and procedures
O			3.2.2	Provide cost effective training to procurement professionals
O			3.2.3	Ensure transparency and integrity in the use of public funds by auditing expenditures and internal procurement processes of state agencies
O			3.2.4	Guide and direct configuration of statewide automated procurement system
O			3.2.5	Ensure vendor contract compliance through an audit process
O			3.2.6	Solicit feedback to promote improvements
S		3.3		Undertake a Strategic Sourcing Initiative by December 31, 2015
O			3.3.1	Analyze the state's current spending on various categories of goods and services
O			3.3.2	Identify the greatest opportunities to leverage the state's purchasing power
O			3.3.3	Prioritize the state's subsequent efforts to maximize achievable savings
S		3.4		Conduct legislatively mandated procurements and implement directives
O			3.4.1	Conduct procurement for long-term solutions for securely housing/treating the Sexually Violent Predator Program at the SC Department of Mental Health
O			3.4.2	Conduct procurement for grades 3 through 8 and grade 11 summative assessments—FY16 and FY17
O			3.4.3	Implement Act 63 of 2015 – Prohibition of contracting with discriminatory entities
O			3.4.4	Provide statutorily required recommendations for changes to the Consolidated Procurement Code and Regulations by June 30, 2016

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
<b>Administrative Services</b>									
1	Strategic Plan for FY2016 developed	NA--New Agency	In Progress	September 15, 2015	July 1-June 30	Executive Management	As necessary	Submitted to EBO; staff notified	1.1.3
2	Strategic Plan for FY2017 developed	NA--New Agency	In Progress	June 30, 2016	July 1-June 30	Executive Management; FY2016 Strategic Plan	As necessary	Executive Director approval; staff notified	1.1.3
3	Human Resources Policies and Procedures developed	NA--New Agency	Complete	July 31, 2015	July 1-June 30	Human Resources	As necessary	Employee Acknowledgement	1.1.4
4	Code of Conduct developed and on SFAA website	NA--New Agency	Complete	August 15, 2015	July 1-June 30	Human Resources; Executive Order	As necessary	Employee Acknowledgement; Posted	1.1.4
5	Info Security Program Policies and Procedures developed, adopted and posted to SFAA website	NA--New Agency	In Progress	June 30, 2016	July 1-June 30	DIS Directive	Weekly	Plan of action and milestones document per policy	1.1.4
6	Budget and Finance Procedures developed	NA--New Agency	In Progress	October 30, 2015	July 1-June 30	Finance	As necessary	Executive Director approval; staff notified	1.1.4
7	Agency communication plan and protocol developed	NA--New Agency	In Progress	January 31, 2016	July 1-June 30	Human Resources, Information Technology	As necessary	Plan developed; staff notified	1.1.5
8	List of transactions compiled	NA--New Agency	In Progress	January 15, 2016	July 1-June 30	Historical agenda items and law	As necessary	Authority Secretary and Executive Director approval	1.2.1
9	MOUs between SFAA and Admin developed	NA--New Agency	In Progress	June 30, 2016	July 1-June 30	SFAA and Admin. Executive Management	Annually	Execution of MOUs	1.3.1
10	Contact list for the use of stakeholders developed and posted on SFAA website	NA--New Agency	In Progress	December 31, 2015	July 1-June 30	Executive Management	As necessary	List is posted	1.3.2

<b>Insurance Reserve Fund (IRF)</b>									
11	IRF expense ratio relative to industry standard of 29% - 34%	5.4%	4.6%	Optimized	July 1-June 30	Insurance Reserve Fund files	Annually	Administrative Expenses/Gross Underwriting Income	2.1.1
12	Auto Rate premium comparison to industry rate of \$1,064 per Vehicle	\$481	\$482	Optimized	July 1-June 30	Insurance Reserve Fund files	Annually	Actual rate charged	2.1.1
13	Property Rate premium comparison to industry rate of \$352 per \$100,000 of value	\$91	\$91	Optimized	July 1-June 30	Insurance Reserve Fund files	Annually	Actual rate charged	2.1.1
14	Tort Liability Rate premium comparison to industry rate of \$482 average rate per person	\$164	\$164	Optimized	July 1-June 30	Insurance Reserve Fund files	Annually	Actual rate charged	2.1.1



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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
15	Coverage placed and in force within time limits	81.2%	87.3%	100.00%	July 1-June 30	Insurance Reserve Fund System	Weekly	Policies issued prior to term date	2.1.2
16	Accounts Receivable > 60 days outstanding at end of year	0.63%	1.38%	0.00%	July 1-June 30	IRF System/SCEIS-Business Objects-Accounts Receivable Report	Monthly	Premiums outstanding > 60 days/Direct Premiums Written	2.1.2
17	Number of seminars (e.g., Coverage, Safety, Legal) conducted by Insurance Reserve Fund	6	3	5	July 1-June 30	Insurance Reserve Fund Underwriting Office	As necessary	Number of seminars held	2.1.3
18	Current statement of insured property values provided	100%	100%	100%	April 1-Mar. 31	Insurance Reserve Fund Underwriting Office	Annually, each December 15th	Results provided to Underwriters	2.2.1
19	Reinsurance obtained for appropriate lines of insurance	100%	100%	100%	July 1-June 30	Insurance Reserve Fund Underwriting Office	As required by contract	Contracts awarded	2.2.2
20	Boilers inspected as required by law	100%	95%	100%	July 1-June 30	Insurance Reserve Fund System	Quarterly	Actual inspections/required inspections	2.2.3
21	Average number of days to process claims payment requests	4.78 days	5.38 days	6 days	July 1-June 30	Insurance Reserve Fund System	As necessary	Average number of days from payment request created to date marked for payment in IRF System	2.3.3
22	Percentage of assessments collected	99.77%	99.99%	100.00%	July 1-June 30	Second Injury Fund Assessment Database	Semi-Annually/Annually	Assessment payments collected/Total Assessment	2.4.1

Division of Procurement Services (DPS)

23	Quarterly Meeting with Agencies to discuss upcoming procurement needs and upcoming term contracts	New Initiative	In Progress	Quarterly	July 1 - June 30	Quarterly meeting minutes	Quarterly	Meeting held quarterly	3.1.1
24	Execute Service Level Agreement with Agencies on each procurement for goods and/or services	New Initiative	In Progress	January 1, 2016	July 1 - June 30	Procurement Files	Quarterly	Number of Agency Procurements vs number of Service Level Agreements	3.1.1
25	DPS adherence to its requirements under the Service Level Agreements on each procurement for goods and/or services	New Initiative	In Progress	January 1, 2016	July 1 - June 30	Service Level Agreements	Quarterly	SLA performance times for DPS duties vs actual performance times	3.1.1

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
26	Customer Satisfaction Survey developed for procurement of goods and/or services	New Initiative	In Progress	June 30, 2016	July 1 - June 30	Customer Satisfaction Survey	Quarterly	Approval by Division Director	3.1.1
27	Cost savings in dollars from negotiations	\$57,415,044	\$67,271,335	Maximized	July 1 - June 30	Procurement files	Quarterly	Dollars bid vs awarded	3.1.3
28	Execute Service Level Agreement with Agencies on each construction procurement	New Initiative	In Development	Implement by Jan. 1, 2016, ongoing thereafter	July 1 - June 30	Procurement Files	Quarterly	Number of Agency Procurements vs number of Service Level Agreements	3.1.4
29	DPS adherence to its requirements under the Service Level Agreements on each construction project	New Initiative	In Development	January 1, 2016	July 1 - June 30	Service Level Agreements	Quarterly	SLA performance times for DPS duties versus actual performance	3.1.4
30	Customer Satisfaction Survey developed for construction projects	New Initiative	In Development	June 30, 2016	July 1 - June 30	Customer Satisfaction Survey	Quarterly	Approval by Division Director	3.1.4
31	Develop database for OSE for project milestone and data tracking	New Initiative	In Progress	June 30, 2017	July 1 - June 30	Law and Manual for Planning and Execution of State Permanent Improvements	Monthly	Year one measure, Division Director approval of design requirements	3.1.4
32	Procedures manuals for each section revised	New Initiative	In Progress	June 30, 2016	July 1 - June 30	Procedures Manuals, Policies, Statutes and Regulations	Annually	Approval by Division Director	3.2.1
33	Training program enhanced and implemented	New Initiative	In Progress	June 30, 2016	July 1 - June 30	Training Curriculum and Participation Records	Annually	Approval by Division Director	3.2.2
34	Audit internal procurement processes and expenditures of state agencies within required timeframes	Ongoing	In Progress	June 30, 2016	July 1 - June 30	Procurement Files, law, Audit Reports	Monthly	Number of Agencies audited as required	3.2.3
35	Analysis of the state's current spending on various categories of goods and services completed	New Initiative	In Progress	June 30, 2016	July 1 - Dec 31	SCEIS - SRM, Agency Surveys	As necessary	Spend analysis of state agencies complete	3.3.1
36	Act 63 of 2015 implemented	New Initiative	Completed	August 31, 2015	July 1 - June 30	Law and standard procurement documents	Once	Certification Documents Complete, disseminated to procurement officers, and posted	3.4.3
37	Recommendations provided to General Assembly	New Initiative	In Progress	June 30, 2016	July 1 - June 30	Law, DPS study recommendations, survey results	Once	Approval by Division Director and Executive Director and provided to General Assembly	3.4.4

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Program Template

Program/Title	Purpose	FY 2013-14 Expenditures				FY 2014-15 Expenditures				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administration--See Note below	Leadership and direction for the agency, including Executive Management, Legal, Internal Audit, Finance, Human Resources, and Information Technology for effective operations for our customers and the Authority	\$ 1,086,709	\$ 3,045,848	\$ -	\$ 4,132,557	\$ 1,468,078	\$ 3,714,125	\$ -	\$ 5,182,203	1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5, 1.2.1, 1.2.2, 1.2.3, 1.3.1, 1.3.2, 1.3.3
II. Procurement Services Division	Provides centralized procurement of goods and services and information technology essential to government agencies; professional oversight/guidance for architects, engineers, land surveyors, and construction projects for state agencies and local governments	\$ 1,226,431	\$ 2,657,710	\$ -	\$ 3,884,141	\$ 1,262,181	\$ 2,757,586	\$ -	\$ 4,019,767	3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.2.1, 3.2.2, 3.2.3, 3.2.4, 3.2.5, 3.2.6, 3.3.1, 3.3.2, 3.3.3, 3.4.1, 3.4.2, 3.4.3, 3.4.4
III.A. Insurance Reserve Fund	Provides insurance specifically designed to meet the needs of governmental entities.	\$ -	\$ 3,468,741	\$ -	\$ 3,468,741	\$ -	\$ 3,393,263	\$ -	\$ 3,393,263	2.1.1, 2.1.2, 2.1.3, 2.2.1, 2.2.2, 2.2.3, 2.3.1, 2.3.2, 2.3.3
III.B. Second Injury Fund Sunset	Program charged with paying liabilities remaining after closure of the Second Injury Fund Agency on July 1, 2013. Unit administers assessments for the purpose of funding reimbursements to claimants from the Second Injury Fund and it's operating costs.	\$ -	\$ 301,268	\$ -	\$ 301,268	\$ -	\$ 216,526	\$ -	\$ 216,526	2.4.1, 2.4.2
IV.C. Employee Benefits	Employer's portion of FICA, State Retirement system premiums, Health and Dental Insurance premiums for subscribers and retirees, State Life Insurance and Long-term disability, and premiums for workers compensation and unemployment insurance.	\$ 585,710	\$ 2,284,045	\$ -	\$ 2,869,755	\$ 619,794	\$ 2,280,302	\$ -	\$ 2,900,096	

**NOTE:** Act 121 of 2014 (SC Restructuring Act of 2014) abolished the Budget and Control Board effective July 1, 2015. The Act transferred the majority of its components to the Department of Administration and the State Fiscal Accountability Authority and split the existing administrative staff between the two new agencies. As such, this number is being reported in both the Department of Administration and State Fiscal Accountability Authority's accountability report.